International Seabed Authority ISBA/24/FC/9

Finance Committee

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Implementation of the budget for the financial period 2017

Report of the Secretary-General

I. Introduction

1. The present report provides an overview of the budget performance for the period from January to December 2017. After taking into account adjustments to miscellaneous income relating to the processing of applications by contractors ($31,204), total expenditure during the period amounted to $7,598,363 against an approved budget provision of $8,722,600. This resulted in a headline underexpenditure of $1,124,237, or 12.9 per cent. This apparent underperformance against the budget is primarily attributable to changes to the budget format and accounting policies as a result of the implementation of International Public Sector Accounting Standards (IPSAS) and the fact that certain approved expenditure under programmes was advanced from funds available in 2016. These are explained further below, as well as information on administrative budget lines that showed significant variation (defined as differences between planned and actual expenditure larger than or equal to $20,000, or larger than or equal to 20 per cent of the planned amount).

II. Revised budget format

2. The budget report is presented in the format proposed to the Finance Committee in 2015 for the financial period 2017–2018 (see ISBA/21/FC/6). The same format was also used to report the budget execution for the first five months of 2017 during the twenty-third session. It will also be recalled that the Secretariat had introduced a more detailed report format on conference services costs, based on the type of expenditure rather than on the number of meetings of the organs of the Authority, and indicated that that format would be introduced in subsequent budget reports.

3. In its report in 2017 (ISBA/23/A/8-ISBA/23/C/10) the Finance Committee recalled that the budget format would be kept under review and would evolve in time and requested the Secretary-General to recommend possible further changes to the budget format in the following draft budget. Other changes to financial reporting were

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also introduced as a result of the implementation of IPSAS and reported separately to the Finance Committee.

4. The structure of the present document follows the new budget presentation format. Variances are reported by section, subsection and programme. For the programme budget, as there is a significant transfer of funds from the conference services subsection to programmes, as a result of savings made in conference services, comparisons are made between the actual and the initial individual values budgeted for 2017.

III. Budget review

Section 1: Administration and conference services

5. Total funds available in 2017 for section 1 were $7,884,400, representing 90.4 per cent of the available budget (meaning that less than 10 per cent of the budget was allocated to programmes). Further to efficiencies introduced in 2017, the Secretary-General authorized the transfer of $385,000 from conference services costs to selected programmes, reducing the budget available under section 1 to $7,499,400. Total expenditure against that reduced figure was $7,136,036, an underexpenditure of 4.6 per cent, after IPSAS-related adjustments.

6. Significant variances in expenditure resulted from the following:

(a) **Common staff costs**. There was an overexpenditure of 18.3 per cent as a result of the implementation in 2017 of the revised compensation package for staff in the Professional and higher categories, as approved by the Assembly in its decision ISBA/23/A/12. The implementation of the compensation package entailed a retroactive revision of personnel benefits for the previous two years. This was a one-time operation that was not initially planned and will not happen again;

(b) **Official travel**. There was an overexpenditure of 28.3 per cent, which can be attributed to increased activity and a budget estimate lower than the real travel needs of the secretariat, as well as stricter recording of travel against the correct budget line;

(c) **Communications**. There were savings of 25.6 per cent as a result of the implementation of a strict telephone policy and the use of better-performing equipment;

(d) **External printing**. This is a very small budget line and any decision to spend against it has a significant impact. Production of additional outreach materials resulted in overspending of $19,834;

(e) **Information technology**. Savings of 40 per cent were recorded as a result of changes to accounting policies, whereby the acquisition of assets is recorded under the item "acquisition of furniture and equipment". Expenditure recorded under this budget line therefore covers services only (Internet provider, hosting and outsourced maintenance of equipment);

(f) **Acquisition of furniture and equipment**. There was an underexpenditure of 62 per cent, as acquisitions were delayed to 2018, pending a comprehensive review of actual needs;

(g) **United Nations common system**. This budget line was overbudgeted. The 2017 budget provided for participation in various United Nations common services that were not utilized. Actual expenditure represents costs shared with the Department of Safety and Security ($37,400), participation in the International Civil Service Commission and related activities ($21,700), together with minor costs for common meetings in Kingston;

(h) **IPSAS**. No spending was recorded under this budget line, as the implementation of an enterprise resource planning system will not start until 2018.

7. As previously reported to the Finance Committee, significant savings were realized in conference services costs by reducing the number of United Nations support staff from nine to two (estimated savings of $120,000), better coordination with the Jamaica Conference Centre (savings of $20,000) and the drastic reduction in documentation costs with the introduction of PaperSmart (savings of $80,000).

Section 2: Programmes

8. The Finance Committee will recall that the programme budget was introduced for the first time in the 2017 budget. As there were no statistical data available on the costs of programmes, the secretariat used standard costs of workshops and travel for planning the budget for this section. However, only 9.6 per cent of the total budget was allocated to programmes ($838,000), providing little flexibility for transfers between budget lines.

9. Under programme 2.4 (Data management), provision for the design of the database in the amount of $345,000 and the acquisition of equipment in the amount of $150,000 was set aside from funds remaining available in 2016.

10. Significant overexpenditure appears in programme 2.6 (Outreach activities), primarily as a result of the Authority's participation in the 2017 United Nations Conference to Support the Implementation of Sustainable Development Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development (Ocean Conference), which was not budgeted, and the organization of an awareness-raising workshop in Kampala, in 2017.

11. As a result of the lessons learned during 2017, the programme budget for the financial period 2019–2020 is based on a more realistic balance of the administrative budget against the programme budget, as well as a more accurate estimated breakdown of expenditure among sub-items in the budget.

Annex

Budget performance report for the period from 1 January to 31 December 2017

United States dollars

Object of expenditure		*Approved for 2017*	*Transfers approved by the Secretary-General from sections to programmes*	*Budget after transfers*	*2017 expenditure (as at 31 December 2017)*	*Balance*	*Percentage of variation*
Section 1	**Administrative and conference services expenditure**						
Subsection 1	**Administrative expenditure of the Secretariat**	**5 919 400**	**0**	**5 919 400**	**5 877 124**	**42 276**	**0.7**
	Established posts	3 100 000		3 100 000	2 895 816	204 184	6.6
	General temporary assistance	15 500		15 500	33 726	-18 226	-117.6
	Overtime	35 000		35 000	31 966	3 034	8.7
	Consultants (non-programme)	10 300		10 300	0	10 300	100.0
	Common staff costs	1 505 000		1 505 000	1 779 689	-274 689	-18.3
	Training	31 500		31 500	13 848	17 652	56.0
	Official travel (non-programme)	91 200		91 200	117 020	-25 820	-28.3
	Communications	100 300		100 300	74 599	25 701	25.6
	Library books and supplies	68 000		68 000	59 102	8 898	13.1
	External printing (not programmes)	11 000		11 000	30 834	-19 834	-180.3
	Supplies and materials	40 100		40 100	55 665	-15 565	-38.8
	Official hospitality	11 500		11 500	14 392	-2 892	-25.1
	Information technology	98 000		98 000	58 757	39 243	40.0
	Acquisition of furniture and equipment	81 000		81 000	30 180	50 820	62.7
	Rental and maintenance of furniture and equipment	12 000		12 000	16 578	-4 578	-38.2
	United Nations common system	83 000		83 000	60 301	22 699	27.3
	Miscellaneous services	56 000		56 000	72 178	-16 178	-28.9
	Audit fees	20 000		20 000	16 000	4 000	20.0
	Buildings management	410 000		410 000	433 826	-23 826	-5.8
	Review of article 154 and related costs	80 000		80 000	82 645	-2 645	-3.3
	IPSAS	60 000		60 000	0	60 000	100.0
Subsection 2	**Cost of conference services**	**1 965 000**	**-385 000**	**1 580 000**	**1 258 912**	**321 088**	**16.3**
	Salaries of United Nations staff				8 907		
	Printing and supplies				289		
	Miscellaneous conference services costs				44 632		
	Travel of staff				277 291		
	Rental of conference centre				50 843		
	Temporary assistance (meetings)				50 186		

Object of expenditure		*Approved for 2017*	*Transfers approved by the Secretary-General from sections to programmes*	*Budget after transfers*	*2017 expenditure (as at 31 December 2017)*	*Balance*	*Percentage of variation*
	Rental of equipment				388		
	Local transportation				2 652		
	Meeting services				432 446		
	Documentation				380 578		
	Reception				10 700		
Total, section 1	**Administrative and conference services expenditure**	**7 884 400**	**-385 000**	**7 499 400**	**7 136 036**	**363 364**	**4.6**
Section 2	**Programme expenditure**						
Programme 2.1	**Development of the regulatory framework for activities in the Area**						
	Consultants	45 200		45 200	21 381	23 819	52.7
	External printing	0		0	0	0	
	Travel	45 600		45 600	72 029	-26 429	-58.0
	Workshops	0		0	0	0	
	Total, programme 2.1	**90 800**	**0**	**90 800**	**93 410**	**-2 610**	**-2.9**
Programme 2.2	**Protection of the marine environment**						
	Consultants	19 400		19 400	3 836	15 565	80.2
	External printing	600		600	0	600	100.0
	Travel	7 600		7 600	48 318	-40 718	-535.8
	Workshops	120 800	125 000	245 800	60 722	185 078	153.2
	Total, programme 2.2	**148 400**	**125 000**	**273 400**	**112 875**	**160 525**	**108.2**
Programme 2.3	**Management of contracts**						
	Consultants	0		0	0	0	
	External printing	0		0	0	0	
	Travel	15 200		15 200	12 165	3 035	20.0
	Workshops	2 900	30 000	32 900	2 118	30 782	1 061.4
	Total, programme 2.3	**18 100**	**30 000**	**48 100**	**14 284**	**33 816**	**186.8**
Programme 2.4	**Data management (resource and environment)**						
	Consultants	296 000		296 000	38 347	257 653	87.0
	External printing	9 600		9 600	0	9 600	100.0
	Travel	24 000		24 000	7 997	16 003	66.7
	Workshops	0		0	0	0	
	Information technology	206 900		206 900	113 222	93 678	45.3
	Central data repository	0		0	0	0	
	Maintenance and support	0		0	0	0	
	Total, programme 2.4	**536 500**	**0**	**536 500**	**159 566**	**376 934**	**70.3**

Object of expenditure		*Approved for 2017*	*Transfers approved by the Secretary-General from sections to programmes*	*Budget after transfers*	*2017 expenditure (as at 31 December 2017)*	*Balance*	*Percentage of variation*
Programme 2.5	**Promotion and encouragement of marine scientific research in the Area**						
	Consultants	9 700		9 700	0	9 700	100.0
	External printing	0		0	0	0	
	Travel	7 600		7 600	1 890	5 710	75.1
	Workshops	0	120 000	120 000	0	120 000	
	Total, programme 2.5	**17 300**	**120 000**	**137 300**	**1 890**	**135 410**	**782.7**
Programme 2.6	**Outreach activities**						
	Consultants	11 300		11 300	9 705	1 595	14.1
	External printing	600		600	0	600	100.0
	Travel	15 200		15 200	54 943	-39 743	-261.5
	Workshops	0	110 000	110 000	15 656	94 344	
	Total, programme 2.6	**27 100**	**110 000**	**137 100**	**80 303**	**56 797**	**209.6**
Total, section 2	**Programme expenditure**	**838 200**	**385 000**	**1 223 200**	**462 328**	**760 872**	**90.8**
Total, administrative, conference services and programme expenditure		**8 722 600**	**0**	**8 722 600**	**7 598 363**	**1 124 237**	**12.9**